6-1995

Practicing CPA, vol. 19 no. 6, June 1995

American Institute of Certified Public Accountants (AICPA)

The Practicing CPA

JUNE 1995

Published for All Local and Regional Firms by the AICPA Private Companies Practice Section

MAKING FLEXIBLE ARRANGEMENTS WORK

The business case for flexible work arrangements in the public accounting profession is clear. Not only can such arrangements help us retain valuable people, but they can help us better match staffing levels to fluctuating business demands.

There are many types of nontraditional arrangements. Most common at our firm is part-time work—although this too varies. It can be based on a reduced work day, a reduced work week, or on reduced annual chargeable hours or client load. The needs of individuals and the type of work they do determine the structure. For instance, in tax, reduced work days or reduced work weeks are fairly common. Our audit group, on the other hand, tends to utilize reduced annual client loads. The beauty of these arrangements is that they can be tailored to a particular situation and fashioned to accommodate a number of creative permutations.

Flextime, compressed work weeks and job sharing, is found less frequently in our profession because of the nature of the work we do. It is often used with support staff, however.

Because not every arrangement is suitable for every individual, role or practice area, approval is generally made on a case-by-case basis. The philosophy of "flexibility" itself precludes hard-and-fast rules of eligibility.

Flexible work arrangements are not an entitlement. To make sense from a business perspective, we require that they be

- ☐ **Structured to meet the needs of clients, the firm, and the individual.** Each proposed arrangement is not considered in isolation, but as part of a total staffing plan which affects how the office is run. There may be a "critical mass" beyond which additional arrangements could hamper efficiency and effectiveness in serving clients.
- ☐ **Considered only for individuals who are strong performers and have records of making commitments.** The individual must demonstrate responsibility, reliability, commitment, flexibility, and maturity—qualities that are essential for the arrangement to be successful.

The following implementation guidelines will help ensure the success of your flexible work arrangements:

- ☐ Recognize that a key to making a nontraditional arrangement work is perceived *reliability* of the individual in getting assigned work done.
- ☐ Structure the arrangement in a way that is fair and equitable for all staff, so colleagues don't feel they have to pick up the slack. Compensation should reflect any reduction in workload to ensure equitability.
- ☐ Obtain partner acceptance of the arrangement in advance and, if the individual is in client service, partner commitment to schedule the person on their engagements.

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What's Inside . . .

- ☐ Expect the same high standards of professionalism and performance from individuals who have a flexible work arrangement. And, as committed, contributing team members, they should receive equitable treatment in terms of projects, assignments, and other career development activities.

  Look carefully at any messages you may be sending through the assignment process. If nontraditional workers receive the most undesirable engagements and are the first "benched" with available time, then the office may lose motivated and committed individuals who are unwilling to pay that price for flexibility.

  Similarly, provide performance evaluations, compensation increases, and promotions for those with a flexible work arrangement on the same timetable and using the same criteria as for other employees.
- ☐ Ensure that individuals working in a nontraditional manner continue to participate in training at a level generally equal to their peers.
- ☐ Address the phenomenon of "workload creep"—a common problem of part-time arrangements. An individual may start out with the understanding he or she will work thirty hours a week (and have a salary that reflects that), but finds that over time this has crept to thirty-five, then forty, then forty-five hours a week. Often, time in the office may not increase dramatically, but the time spent on work at home does.

  You can deal with this issue in two ways. First, establish the right workload by carefully forecasting expected hours. Be mindful of training, staff development, and practice development hours that may need to be included. Second, put into place a good system to track actual versus targeted hours. You need a mechanism to ensure that the individual is compensated for hours worked in excess of those planned.
- ☐ Make it clear that reciprocal flexibility on the part of the individual is necessary for the success of the arrangement. This may involve additional in-office availability during peak seasons or call-

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New MCS Products Available

General Construction Contractors, product no. 055157, member cost $14.50, is an MCS practice aid that describes commercial construction industry trends, critical operating issues, and consulting opportunities. Sample checklists and forms provide additional guidance.

Consulting Engagement Letters and Checklists, product no. 055011, member cost $47.50, is a two-diskette set that presents over thirty sample engagement letters that document practitioner/client understandings. Numerous forms and questionnaires are included.

To purchase items, call the AICPA order department, (800) TO-AICPA. Ask for operator PC.

Attentiveness: The Key to Opportunity

During the past several years, I have watched with fascination as the profession has expanded the range of services offered. And while the spotlight has often focused on the achievements of the larger firms, firms seemingly laden with resources, small firms such as mine are also profiled as they develop and refine practice specialties. I'm intrigued by the ingenuity of these firms, and encouraged by the shift in how CPAs in firms of all sizes are coming to view their work.

Increasingly, we are seeing ourselves as business advisors. We are using our broad understanding of the business process, our analytical skills, and our talent for observation to identify and meet client needs. Each account of this I come across reinforces the same message: Step back, consider the marketplace, find the opportunities. This is an exercise any of us can perform; the playing field is level. For the CPA who embraces this process, who practices as a business advisor, the uncertainty of change holds more promise than dread.

Yet in saying the playing field is level, a distinct-

The Practicing CPA (ISSN 0885-6931), June 1995, Volume 19, Number 6. Publication and editorial office: 1211 Avenue of the Americas, New York, NY 10036-8775. Printing and mailing paid by the private companies practice section (PCPS) of the AICPA division for CPA firms. Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

Editor: Graham G. Goddard

ion needs to be recognized; it is level only insofar as each of us has equal claim to the process of finding opportunities. Certainly, larger firms have access to greater resources; yet even the smallest firm can add expertise by building alliances. And while teams assembled from large staffs benefit from synergy, professional competence is essentially a personal quality. It is enjoyed by each of us in an individual capacity, ours to develop or retard. This is as true for the sole practitioner as it is for the national firm member. Finding opportunities is an exercise at which any of us can excel. It simply calls for attentiveness, and that can be developed with practice.

How do we become more attentive? Most often we begin by becoming interested in services other firms are providing. We wonder whether our clients need a certain service and whether we could perform it. Soon, our interest deepens and we begin to pay attention.

Each new story of a nontraditional service offers lessons if we'll heed them—lessons on how the firm recognized the need, which market trends were monitored, how the firm developed the expertise, and what the fee considerations were. In time, we find our thinking has changed. We are looking for and finding opportunities. We have developed the ability to evaluate a new service and have become more focused on client needs. It's no wonder the effect is encouraging.

Those of us who train ourselves to find opportunities will do so. Those of us who study delivery will deliver more successfully. And those of us who hone our responsiveness will find the changing market an encouraging prospect to face.

This fall, the AICPA management consulting services division plans to introduce a product designed to move this process along. *What Business Advisors Do* will be a looseleaf collection of consulting vignettes, with annual supplements.

Each study will provide an overview of a nontraditional service to serve as a springboard for firms considering a new service or hoping to enhance an existing one. The format will emphasize a practical rather than a theoretical approach and will furnish a wealth of experiences from which to draw lessons.

Exhibit A outlines the essential components of each two-page study, while exhibit B presents a condensed version of an actual profile. We would like to invite you, the practitioner, to submit profiles conforming with this outline. If your contribution is selected for inclusion, you will be credited with authorship and receive a complimentary copy of the initial collection. ☑

—by **Lawrence R. Lucas, CPA**, *Lucas Company, Fifth and Jefferson Streets, P.O. Box 9245, Moscow, Idaho 83843, tel. (208) 882-9504, FAX (208) 882-9503*

Exhibit A

What Business Advisors Do (Profiles in Advisory Services)

Title

Description

Give a precise and informative description of the service in 60 to 80 words.

Needs addressed by the service and how they arose

Identify the needs giving rise to the service and how they were recognized in 160 to 180 words.

Aspects of the engagement

Present, in chronological order, an outline of those aspects common to most consulting engagements together with those peculiar to this service, giving attention to specialized knowledge requirements in 140 to 160 words.

Fee considerations

Describe budgeting, payment arrangement, discount, and value billing considerations in 80 to 100 words.

Marketing considerations

Describe the three most effective marketing steps for this service in 80 to 100 words.

Illustrative example

Explain how the engagement is executed, from start to finish. The example should focus on matters of interest to other CPAs. At 250 to 300 words, this comprises the largest section of the profile.

Acquiring expertise and additional information

List resources by which CPAs may develop necessary expertise. Include a bibliography—books, periodicals, CPE offerings, professional and trade associations. Give brief descriptions of their value as resources and reasons for recommendation. Where appropriate, discuss strategic alliance considerations.

Firms contributing to this profile

Credit will be given to contributing firms.

Note: Word counts are approximate and given only as guidelines. Each profile will be edited to fit both sides of an 8 ½ x 11" page.

Send profile material to Judith R. Trepeck, CPA, The Trepeck Group, LLC, 2000 Town Center, Suite 1900, Southfield, Michigan 48075.

Exhibit B
What Business Advisors Do (A Condensed Example)

Title: Law Firm Management Consulting

Description: Law firm management consulting can provide the owners of law firms with the skills and processes to manage their firms more efficiently. This will enable the lawyers to become better focused on client needs.

Needs addressed by the service and how they arose: Lawyers need to run their practices as businesses. Currently, many are not positioned to meet the challenges of new demands. Taught to focus more on what has happened, rather than on what could be, lawyers need to think in terms of planning the direction of their practices and determining the resources needed to meet their goals. Also, regardless of their official form of practice, law firms, typically, are run as pure partnerships in which everyone's opinion is important and has equal value and where everyone must agree to an idea. This cripples the decision making process and freezes the firm in old habits.

Aspects of the engagement: Patience and persistence are key to securing these engagements because of their size. We usually need several meetings with a prospective client to be able to determine the root cause of problems. Then, after more meetings and extensive needs analysis, we present the prospect with a "key points" letter. This indicates the key points, as we understand them, and outlines our approach to solving the problems.

The letter is direct and usually well received. We find that lawyers respond when someone is willing to tell them what to do. We explain our approach, step by step, and quote a fee for an operations assessment—the (most effective) first phase of the project. The key to gaining acceptance of our proposal and to performing the engagement successfully is that we have a good client. A good client is someone who really wants the service, has the ability and the authority to make decisions, and is the person who writes the check.

Fee considerations: Our operations assessment is priced at a fixed fee based upon expected project hours. It is calculated at a discounted rate from standard and positioned as a "bargain." Even if we exceed our time budget, we stick with our quote. The key points letter does indicate when the client's investment would be at our standard hourly rates. We require one third to one half of the fee upon agreement and the balance upon completion. Most subsequent work is priced on an hourly basis, at standard rates, with few exceptions.

Marketing considerations: Because these engagements are extensive and require several meetings and discussions to secure, marketing the service must be an ongoing process. It cannot be postponed until we need more work. There are three major elements to our marketing program. The first is a purchased, customized newsletter directed to law firm management, to which we have exclusive distribution rights in our area. We send this to lawyers, legal administrators, centers of influence and the media. The second element is networking activities with key people in and key providers to the legal community, and the third one comprises writing articles and giving presentations. These efforts establish us as leading consultants in this field.

Illustrative example: At the law firm of ABC, cash flow was tight and managed in thirty-day increments. The managing partner was overworked and the other partners were not adhering to firm policy (not turning in daily timesheets, for example). While they seemed to be busy, they were not collecting accounts receivable and entitlement thinking was settling in. Partners were underperforming, while remaining at inappropriately high salary levels. They were complaining that they were left out of the decision making loop, even though they had monthly meetings, and good attorneys were leaving the firm. The legal administrator was overwhelmed and no longer effective with partners and staff and, on top of everything, a senior partner was eighteen months from retirement and the firm had no written retirement plan. The only way to work through these problems was to perform an operations assessment.

The assessment consisted of partner, associate and staff surveys; one-on-one interviews with partners, focus groups with associates and staff, individual interviews with the legal administrator and top accounting personnel, and financial analyses that examined trends and compared the firm to the national and local legal marketplaces. After eight weeks of extensive discussion and analyses, our team presented its report.

The report summarized our observations, the areas of challenge, and our recommendations concerning general management, financial management, operations (production), employee relations, and marketing. The action plan included in the report, and agreed upon by the partners, was later presented in an abridged version to the staff.

The entire plan has been executed in the three years since we presented it. The firm has grown from 42 people to 83 people, revenues have increased from $3.8 million to $7.6 million, partners are working hard and making more money, and the managing partner has doubled his book of business from $700,000 to $1.4 million. The partners have referred us other business.

Acquiring expertise and additional information: **Books**: *Professional Service Firm Management*, David Maister, *Consultant's Calling*, Geoffrey M. Bellman, *Secrets of Consulting*, Gerald M. Weinberg, *Networking with the Affluent*, Dr. Thomas Stanley. **Magazines:** *Law Practice Management Magazine, ABA Journal.* **Newspapers:** *National Law Journal.* **Newsletters:** *Law Firm Partnership and Benefits Report*, Leader Publications, 345 Park Avenue South, New York, New York 10010, *Accounting for Law Firms*, Leader Publications, *Partner's Report* and *Law Office Management and Administration Report*, Institute of Management and Administration, Inc., 29 West 35th Street, New York, New York 10001-2299, *CPA Management Consultant*, MCS Division, AICPA.
Continuing professional education: Law Firm Management Group, 401 North Michigan Avenue, Chicago, Illinois 60611; Business Development Associates, Inc., 1200 G Street, NW, Suite 725, Washington DC 20005.
Professional: American Bar Association (Law Firm Practice Management Section), ABA Trade Associations, Association of Legal Administrators (Aid To Administrators Section), Michigan Bar Association.
Strategic alliances: Consultants to the legal profession with expertise in other areas, such as marketing, technology, and lawyer recruitment.

Firm contributing to this profile Judith R. Trepeck, CPA, The Trepeck Group, LLC., 2000 Town Center, Suite 1900, Southfield, Michigan 48075, tel. (810) 351-6270, FAX (810) 351-2699.

Accountants Professional Liability Loss Prevention Supplement

June 1995

Provided by Aon Insurance Services, AICPA Professional Liability Insurance Plan National Administrator

DO YOU SEE TROUBLE WHEN IT WALKS IN THE DOOR?

New business, even continuing business, is always good news, right? No, that is wrong. It isn't always good news. Accepting or continuing with a "bad client" is an invitation to a future lawsuit. CPAs unwittingly accept or retain bad clients when they fail to consider whether a client presents a litigation risk, and when they recognize some risk but refuse to believe a lawsuit could happen to them.

Some red lights and whistles

Truly bad clients almost always lead to a bad lawsuit. But such clients nearly always give early hints of trouble. If you are alert to the warnings, you can and should refuse to accept or to continue the engagement. Following are some examples.

Bad clients can be good people in troubled industries or in failing businesses. You are trained to recognize a business in trouble, so use this skill to protect yourself. Look for

- ☐ Employee turnover, especially in accounting areas.
- ☐ Director resignations.
- ☐ Slow payments to suppliers and service providers, including your firm.
- ☐ Large or unusual year-end transactions.
- ☐ Unusual sources of or high rates for loans.
- ☐ Material transactions not recorded in the usual manner.
- ☐ Suspicious confirmation responses.

Clients who demand an unusually low fee or unrealistically fast service. Generally, we get what we pay for in this world. The reality is that no one does as good a job when he or she is not being fairly paid or is being unfairly rushed. Jurors have common sense and will not ignore reality when considering whether sloppy work—your work—caused the problem.

Clients who refuse to sign engagement or representation letters. If you cannot get the client to acknowledge there are limits to what he or she can expect from you at the start of the engagement, do you really believe the client will accept such limits at the end? This means anything that goes wrong for the client in the future (taxes, finances, or business) will probably become your responsibility in the client's mind and, inevitably, the client's attorney's mind.

Clients who give evasive answers or make it difficult for you to get the information or documents you need. You cannot do a good job if you have bad or incomplete information. Can you afford to be financially responsible for any erroneous conclusions you might reach based on bad information?

Clients with significant weaknesses in accounting and administrative controls. The client will be happy to tell the jury how much he depended on you, particularly when something goes wrong. But again, the quality of your work depends at least in part on the quality of the client's accounting personnel and records and, just as important, client's management. Make sure everyone involved performs reliably because clients will hold you, not their employees responsible.

Client ownership and management in transition. Can you depend on the information if you do not know who is really in charge? Never make assumptions, particularly on accounting engage-

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ments. Where the risk is high, your presumption will be wrong.

Clients who unreasonably or consistently ignore your advice. You know these clients are in trouble but you refuse to believe you will be the target from whom they seek to recover their losses should they ultimately fail. Don't let your clients fool you while they delude themselves.

The disreputable client and the bully. The jury will judge you by the company you keep. CPAs who are bullied into something by a client may go to jail along with the client. If something about the client doesn't seem right, it probably isn't. Trust your instincts, not the client's soothing assurances.

If you see several signs, such as those above, reconsider your risk in continuing with the engagement. Don't stick your head in the sand and hope the problem will disappear. It won't. Conversely, don't try to be a hero and save a bad client. You can't. Ask yourself where you want to be when the client files for bankruptcy and the trustee and creditors are looking for sources of recovery.

How to screen clients

Now you know some of the warning signs of a bad client. But how can you determine if there are risks present when the signs are not immediately obvious? The answer is to screen all clients every year. Your goal should be to avoid accepting or continuing with bad clients. Here are some steps you can take to help identify them.

Evaluate the client's real needs and demands. Consider not only the services requested but also the services needed. Compare the client's articulated and unarticulated objectives to the engagement requested. Then look at the cooperation you will need versus what you are likely to receive from the client or the predecessor accountant. Now ask yourself, Can I do what the client needs for what I will be paid?

Look for potential problems beginning in prior years and determine whether the cause is that the client ignored your advice. Also, consider whether the client's financial statements (particularly profits and cash flow) for the year most recently ended and for the most current interim period, suggest the client has financial difficulties.

Look for new problems beginning in the current year. Find out whether the client is facing demands to meet or exceed past performance, forecasts, or sales quotas; whether the client is under pressure to meet loan covenants; and whether key client employees are trying to meet unattainable performance and advancement goals.

Underwriters Corner

The Underwriters Corner is published by Aon Insurance Services in order to provide AICPA members with some answers to commonly-asked questions. If you have questions, such as the one below, about activities you think might affect your professional liability insurance policy, and you would like them answered in the Underwriters Corner, just send them to:

Accountants Professional Liability
Loss Prevention Supplement
c/o Aon Insurance Services
4870 Street Road
Trevose, Pennsylvania 19049
Attn. M. Cook

Q. Would my firm be considered a better professional liability risk if it received an unqualified opinion in its peer review?

A. Yes. Firms that have undergone a peer review of their accounting and auditing practice and have received an unqualified opinion are considered better professional liability risks because they have demonstrated their strict adherence to accounting and auditing standards.

In response to a long-standing request by the private companies practice section (PCPS) that special consideration be given to firms that receive a clean opinion on their peer review, the AICPA Professional Liability Plan now offers a 5 percent premium credit to such firms. This credit is contingent upon approval from the applicable state insurance commission.

For further information, contact Aon Insurance Services, tel. (800) 221-3023, or your regional Plan representative.

The Professional Liability Insurance Plan Committee objective is to assure the availability of professional liability insurance at reasonable rates for local firms, and to assist them in controlling risk through education. For information about the AICPA Plan, call the national administrator, Aon Insurance Services, (800) 221-3023, or Leonard Green at the Institute (201) 938-3705.

As a final step in your evaluation of the client's needs, identify users of your reports or other work product. Determine whether your work will be used to influence costly decisions or in conjunction with a new or risky enterprise or transaction.

Evaluate your ability to handle the client's needs and demands. Assess your firm's capabilities in light of the objectives, scope, and any special circumstances of the engagement, and then determine whether your firm can truly meet all expectations.

Consider both the real and imagined deadlines for the client. For example, will the client listen to you if you say something can wait, or will you be unfairly pressured to complete your work regardless of your other commitments? Compare the cost in dollars and emotion to the fee the client will actually pay.

Make sure you are familiar with the accounting practices of the client's industry and know the applicable professional standards. Carefully evaluate the client's internal accounting controls and records in terms of whether they are in appropriate condition to allow you to do the work you need to do. If not, find out whether the client is willing to commit the necessary resources and funds to get them in the proper order.

Evaluate your objectivity, not just in the technical sense but in the real world sense. This means looking at your relationship with the client through the eyes of a layperson, such as a juror or a judge, who will be less concerned about what your professional rules say you can do than what he or she thinks is right or wrong.

To use an extreme example, if a CPA becomes involved in a business transaction with a client and that transaction creates aggressive deductions on the client's subsequently audited tax return, the fact that professional standards allow the accountant to prepare the return will mean little or nothing in the court room. The judge and jury will focus on the issue of motivation. They will focus on whether the client was put at risk because the accountant had a personal stake in the business transaction.

Make every attempt to interview the predecessor accountant. Try to find out the real reason for a change of accountants. It is better to hear the bad news before the client becomes *your* bad news. Don't ask broad questions that allow the former accountant to waffle in response. Ask specific questions such as

- ☐ Has the client ever lied to you?
- ☐ Has the client ever unreasonably delayed payment or refused to pay you?
- ☐ Did the client ever refuse to sign an engagement or representation letter?
- ☐ Has the client ever threatened to sue you?
- ☐ Have you ever had disagreements with the client on accounting principles or tax reporting?

Even if the former accountant hesitates or equivocates, the responses to these questions should tell you a great deal about the real reason for change.

Perform an industry check. Ask the prospective client for a list of customers and suppliers and obtain permission to talk with a few of them. Find out from them if the prospective client pays bills on time, has respect, and maintains good relationships with peers. Also, find out whether the prospective client's industry is subject to frequent or sudden business failures. While you may not necessarily want to refuse a client in a volatile industry, you will probably need to structure your fees to cover the cost of additional safeguards that will reduce your own risks.

Check the prospective client's credit. Credit reports often provide timely information on the prospect's business history. This includes dates of loans, date of last payment, highest credit, balance owing, and number of days past due by category. Find out whether the prospect carries a credit rating from a rating agency. If so, determine what that rating is.

Check the prospect's record of prior litigation. Find out if the potential client is lawsuit happy. Does he or she threaten to sue at the drop of a hat? Is he or she sued frequently?

Be motivated. The time to exercise caution is before an engagement begins. This is true even for current clients. If you aren't motivated to exercise caution at that stage, your risks will certainly outweigh your rewards. Just keep in mind that the scope of your risk is not at all related to the amount of your fault or to the size of your fee. ☑

—by **Mary C. Eklund, Esq.,** *Eklund Rockey Stratton, P.S., 1000 2d Avenue, Suite 3100, Seattle, Washington 98104, tel. (206) 223-1688*

Statute of Limitations Begins at Injury

In *Ackerman* v. *Price Waterhouse*, the New York State Court of Appeals ruled on December 6, 1994, that the statute of limitations in a malpractice case against an accountant begins at the time the client receives the work, not when incorrect work is discovered.

The plaintiffs in *Ackerman* were limited partners in a real estate venture. The sponsoring company's accountant prepared income tax returns and schedules, on which the partners relied, and advised that the "Rule of 78's," allowing the partners to take greater interest deductions in the earlier years,

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applied. The IRS disputed this, sued for back taxes and penalties, and won. The partners sued the accountant for damages.

In New York, the statute of limitations on non-medical malpractice cases is three years. According to the ruling, the claim accrues (or the statute of limitations begins) at the time the injury occurs, whether the plaintiff is aware of the injury at that moment or not. Had the Court ruled the statute began at the time of the IRS assessment, the claim would have been filed within the applicable time frame. But, according to the ruling, the accrual occurred "upon the client's receipt of the accountant's work product," which took place seven years earlier.

In *Ackerman*, the Court of Appeals went against a trend which began in 1967 with *Atkins* v. *Crosland*. In *Atkins*, the Texas Supreme Court ruled that the statute of limitations in tax cases begins at the time a tax assessment is made by the taxing authority.

Since *Atkins*, five other states have followed the Texas Court's lead: Iowa (1975), North Carolina (1984), Idaho (1985), Alaska, and Florida (1989).

In *Ackerman*, the New York Court discounted the rationale in *Atkins*, claiming that under *Atkins* the statute of limitations is subject to manipulation, rendering it inconsistent with the definite statutory period intended to bar stale and groundless claims.

The California Court of Appeals is currently considering yet another challenge to the *Atkins* rule (*International Engine Parts, Inc.* v. *Fedderson & Co.*). If the *Ackerman* rule receives widespread acceptance, it is likely to improve the liability situation of the accounting profession. ☑

Loss Prevention Seminars

To help AICPA Plan insureds reduce the cost of their professional liability insurance premiums, CNA sponsors a series of comprehensive loss prevention seminars throughout the country. These seminars are designed to address the needs of small- to medium-size accounting firms. For firms that employ thirty or more professionals, CNA will arrange and conduct specific, individualized programs.

Accounting professionals who attend a CNA sponsored loss prevention seminar can earn credit toward their premium, and four hours of continuing professional education (CPE) credit in all states except New York. The four hours of CPE credit comprises one hour of audit and accounting and three hours of technical business credit.

The premium credit can be as high as 7.5 percent a year. The amount is based on the percentage of accounting professionals in a firm who attend a CNA loss prevention seminar. For example, if three accountants in a firm of six professionals attend the seminar, the premium credit is half of the 7.5 percent available, or 3.75 percent. An individual accountant's attendance is applicable for three consecutive years toward the firm's premium credit.

The CNA loss prevention seminars, which make use of a comprehensive workbook and video vignettes, are designed to assist an accountant in recognizing behaviors and conditions that may decrease the risk of a malpractice lawsuit. The seminar topics can help increase an accountant's awareness of potential liabilities, reduce the chances of a claim, and aid the accountant in handling potential claims situations.

CNA has scheduled approximately sixty seminars from May until year's end. Regional Plan representatives will mail detailed information to Plan insureds about six weeks before the seminar in their area.

CNA is a registered service mark of CNA Financial Corporation, CNA Plaza, Chicago, Illinois 60685. ☑

Loss Prevention Seminars

Date	Location
June 2	Albuquerque, NM
June 14	Cleveland, OH
June 15	Columbus, OH
June 20	Chicago, IL
June 21	Topeka, KS
June 22	Newark, DE
June 22	Kansas City, KS
June 23	St. Louis, MO
June 26	Hilton Head, SC
July 13	Cincinnati, OH
July 14	Charleston, WV
September 13	Nashville, TN
September 14	Atlanta, GA
September 19	King of Prussia, PA
September 21	West Orange, NJ
October 12	Pewaukee, WI
October 18	Meridian, CT
October 23	Cherry Hill, NJ
October 25	Mechanicsburg, PA
October 31	Montgomery, AL

Your Voice in Washington

AICPA workload compression bill introduced in House

The AICPA gained important ground in its long battle against the workload compression problems plaguing CPAs when Rep. E. Clay Shaw (R-Fla.) introduced the AICPA's workload compression proposal on May 17. Rep. Shaw is a CPA and a member of the House Ways and Means Committee.

The bill, H.R. 1661, will give back to partnerships and S corporations the right to have a tax year other than December 31—a right they lost when Congress passed the Tax Reform Act of 1986.

The 1986 tax law required all partnerships, S corporations, trusts, and personal service corporations using fiscal years to adopt a calendar year for tax purposes. In effect, the law forced not only the preparation of all year-end tax returns into the first few months of the calendar year, but also the preparation of financial statements and audit reports, which creditors and shareholders need within 90 days of a business's year-end. Only partial relief was achieved in 1987, when Congress amended the 1986 law to allow the modified use of fiscal years if certain requirements were met (section 444).

H.R. 1661 will maintain a steady cash flow to the federal government by requiring partnerships and S corporations electing a fiscal year under the proposed legislation to pay quarterly estimated taxes to the IRS on behalf of their owners. A flat statutory rate will be applied to the entity's income. For most entities, the rate will be 34 percent. For those with average income per owner of at least $250,000 (whose owners are most likely, themselves, to be in the 39.6 percent bracket), the estimated tax rate will be 39.6 percent. Owners will take credit for the entity-paid estimated tax on their income tax returns, which will eliminate the non-interest-bearing loan approach of present law.

Finally, H.R. 1661 provides a *de minimis* rule. Those businesses with a tax liability of less than $5,000 on the defined income of the business will not be required to make estimated payments.

Enactment of H.R. 1661 will preclude any new elections under what is presently section 444. However, existing 444 elections will be allowed to continue if the entity so desires. Alternatively, an entity with an existing section 444 election may elect a fiscal year under the provisions of H.R. 1661, thereby entitling it to a refund of its current 444 required payments, or a credit of such required payments toward its new estimated tax payment requirements.

The Institute now enters the next phase of its campaign. AICPA members will be asked to urge their elected representatives to cosponsor H.R. 1661. ☑

Conference Calendar

Investment Planning Conference*
June 12–13—Chicago Sheraton, Chicago, IL
Recommended CPE credit: 16 hours

National Conference on Divorce
June 14–16—Sheraton Desert Inn, Las Vegas, NV
Recommended CPE credit: up to 17 hours

National Accounting and Auditing Advanced Technical Symposium (NAAATS)
June 26–27—Hyatt Regency, Washington, DC
July 17–18—Hyatt Regency Crown Center, Kansas City, MO
Recommended CPE credit: 16 hours

Small Firm Conference*
June 28–30—Omni Hotel at Charleston Place, Charleston, SC
Recommended CPE credit: up to 24 hours

Not-for-Profit Conference
July 10–11—Grand Hyatt, Washington, DC
Recommended CPE credit: 16 hours

National Healthcare Conference
July 24–25—JW Marriott, Washington, DC
Recommended CPE credit: 16 hours

Estate Planning Conference
July 26–28—JW Marriott, Washington, DC
Recommended CPE credit: up to 32 hours

CPA's Role in Litigation
August 3–4—Sheraton Boston Hotel & Towers, Boston, MA
Recommended CPE credit: up to 17 hours

National Governmental Accounting & Auditing Update Conference
August 28–29—Grand Hyatt, Washington, DC
September 28–29— Hyatt Regency Tech World, Denver, CO
Recommended CPE credit: 16 hours

Savings Institutions Conference
September 6–8—JW Marriott, Washington, DC
Recommended CPE credit: 21 hours

To register or for more information, call the AICPA CPE division, (800) 862-4272.

*For more information, call the AICPA meetings and travel department, (201) 938-3232.

Better-Prepared Accounting Graduates

Does this scenario seem familiar? An accounting graduate who had earned a high grade-point average is hired by a local firm. Both the graduate and the firm hope the new employee will become an important contributor to the firm's practice. It doesn't pan out that way, however. After a few months, or perhaps even a year, the employee resigns or is asked to leave because he or she had not really been prepared for the challenges and demands of public practice.

Possessing technical accounting knowledge is important in today's complex business world, but it is clearly not all that is needed to ensure success. Accounting practitioners have known and voiced their concerns about this for years. Throughout the 1980s, for example, various surveys showed that practitioners were quite satisfied with accounting graduates' technical knowledge, but thought the graduates often lacked certain other critical skills and characteristics.

Educators got the message

Well, accounting educators at a number of colleges and universities got the message. Curricula are being revised, and attention is being paid to those "other skills and characteristics."

In the future, a high grade-point average should indicate prospective new employees possess technical accounting knowledge and the ability to tackle real problems in public practice. This should mean fewer scenarios such as the one posed at the beginning of this article.

Technical accounting topics will still be the primary focus in accounting courses, but there are ways students can learn about accounting while concurrently enhancing their oral and written communication skills, for example.

Revised curricula will, in some cases, actually mean revised methods of learning rather than revised topic coverage. Lecturing isn't being abandoned, but students are being called upon to shoulder more responsibility for their learning—with guidance, of course, from their professors.

Curriculum changes at Kent State University

At Kent State, my colleagues and I now prepare students for the "real world" by covering more than technical accounting topics in our courses and engaging them as active participants in their educational experience.

For example, developing proficiency in oral and written communication, microcomputer use, professional research, and teamwork are significant, explicitly stated objectives of our accounting curriculum. Every nonelective accounting course presently includes extensive coverage of one or more of these important workplace skills.

In my auditing classes, course objectives include developing teamwork skills and promoting ethical decision making. Students need to know about audit methodology, but successfully implementing that knowledge necessitates functioning as ethical members of an audit team.

To accomplish these objectives, students work in teams throughout the semester, addressing a number of ethics cases and presenting their recommendations to the rest of the class. Course grades are determined in part by the success or failure of the students' teamwork efforts.

Kent State accounting students are also given numerous opportunities to interact with practitioners and business people who are invited to campus. Many students learn about real workplace situations by participating in our accounting internship program. Students also become better acquainted with "real world" methods for dealing with problems and opportunities through assigned reading of publications such as the *Journal of Accountancy* and the *Wall Street Journal*.

Conclusion

Kent State is by no means alone in the effort to effect educational changes that will ensure accounting graduates are better prepared for the challenges and demands of public practice. Most college and university accounting departments are involved in the effort in one way or another. The bottom line is this: You, the accounting practitioner, have spoken. We, the educators have listened and responded. The result should be better-prepared accounting graduates for you to hire. ☑

—by **Michael A. Pearson, CPA**, *College of Business Administration, Graduate School of Management, Kent State University, Kent, Ohio 44242-0001, tel. (216) 672-2545, FAX (216) 672-2448*

PCPS Extends Group Buying Discount Period

PCPS member firms now have until June 30 to take advantage of the PCPS group buying discount of 30 percent off standard retail prices for certain products. For a description of the products, see page seven of the February 1995 *Practicing CPA*.

If you have not received an order form for the PCPS discount, call (800) CPA-FIRM. Note: Orders must be placed by mail or FAX.

Making Flexible Arrangements Work

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for special projects, client requests, and proposals; on-call accessibility to respond to client needs, and attendance at training sessions that might take place outside standard hours or location.

- ☐ Convey the principle that it is the responsibility of the individual to manage the flexible work arrangement so clients are provided the highest quality service.
- ☐ Confirm the specifics of the arrangement in writing—don't leave things too loose or open-ended. Make sure agreement is reached and similarly understood by all. (See sidebar opposite for recommended components of a flexible work agreement.)
- ☐ Review the arrangement periodically—every three months is recommended—to ensure it continues to provide a winning situation for the client, the firm, and the individual.

Working flexibly: an audit manager's experience
Christine Lennon has worked a reduced-hours schedule in our Boston office for over eight years. After the birth of her first child, she felt she needed to scale back her work hours to meet her new family responsibilities.

In proposing a flexible work arrangement, Ms. Lennon was somewhat of a pioneer. While two other people in that office have worked a set three-day schedule every week, Ms. Lennon took a different approach, proposing a year-round schedule based on a target number of client hours (approximately 75 percent of full-time). Her rationale was "focusing on the client, rather than setting days to be worked, is the best way to deliver quality service."

Ms. Lennon arranged for child care which would allow her the flexibility needed for this type of arrangement. She gave considerable thought as to how the arrangement would work from a business point of view. The first step was to look closely at her schedule and identify engagements which were well-rounded in terms of workload throughout the year and didn't spread her too thin across industries. These were then made the anchors for her new schedule.

Key client service issues, such as how client crises would be dealt with when she was not in the office and how she would perform non-client responsibilities were addressed. Ms. Lennon credits her planning for the subsequent support of the partners. She also notes that her solid record of demonstrating she could do the job made the office more willing to take a chance on the new arrangement.

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Recommended Components of a Flexible Work Arrangement

Type of schedule
Number of hours and days to be worked, and when.

Redefinition of workload/duties
Generally involves developing a new schedule of projects or engagements.

Flexibility and availability
Clarify ability to travel and meet unexpected client needs on days off.

Fulfillment of professional requirements
How much time is the individual expected to spend on non-client activities (training/CPE requirements, business development, course instruction, etc.)?

Compensation
Will the individual remain salaried, with salary based on percentage of time worked, or be paid hourly? The salary vs. hourly decision is important because it may impact overtime pay under the FLSA.

Overtime
How much overtime is expected? Generally, a chargeable hours figure is set which reflects a percentage of overtime equivalent to that expected of full-time staff.

Benefits
Will benefits be prorated? Is there a minimum number of hours to be worked in a year in order to be eligible? Check with any applicable federal and state requirements (e.g. ERISA). What about vacation and holiday time?

Communication
It is a good idea to establish regular contact with the individual to ensure that client service is being maintained.

Time parameters
When will the individual begin the new schedule? Is it indefinite or for a fixed period of time? Is it being set up on a trial basis?

Periodic reviews
When will the arrangement be revisited to ensure it continues to be effective?

Making Flexible Arrangements Work

(continued from page 7)

The flexible work arrangement was never formally communicated either within the office or to her clients. Ms. Lennon preferred to keep a low profile. Her strategy was to make her flexible work arrangement irrelevant and transparent. She says, "I believe it should never inconvenience anyone. I'm proud of the fact that a client CEO with whom I worked for several years never knew I had a flexible schedule until someone mentioned it to him."

Ms. Lennon reviews her schedule from time to time to make sure she is continually refining and expanding her skills—particularly her technical expertise. She also picks and chooses non-client activities to maximize her experience in areas such as practice development.

Outstanding performance is recognized by the firm. While working reduced hours, Ms. Lennon has been promoted twice—first to supervisor, then to manager. She says, "Being able to continue my career path has been an important factor in why I have chosen to remain at Coopers & Lybrand, L.L.P. Although I have progressed a little more slowly than my peers, I have kept moving. Some people working reduced hours find it difficult to see their peers move ahead more quickly. But you have to set reasonable expectations and establish different benchmarks for yourself—realizing that you are growing in your personal life as well. It's more of a whole-life approach to development."

So what has made her experience so successful? Ms. Lennon says, "I've always regarded the opportunity to work flexibly as a privilege. So I am willing to give extra to make sure it works. When you think about it, everyone is juggling different things. For some, it may be two or three engagements, for others, it is work and school. In my case, it is often work and family. I believe that if you are competent and committed, then the flexible schedule itself becomes irrelevant." ☑

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